



# **State Fiscal Stabilization Fund Program**

## ***State Guidance to Local Education Agencies***

May 1, 2009

**American Recovery and Reinvestment Act of 2009**

Iowa Department of Education  
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## Overview: The American Recovery and Reinvestment Act (ARRA)

**Principles:** The overall goals of the American Recovery and Reinvestment Act (ARRA) are to stimulate the economy in the short term and invest in education and other essential public services to ensure the long-term economic health of our nation. The success of the education part of ARRA, commonly referred to as the federal stimulus package, will depend on the shared commitment and responsibility of students, parents, teachers, principals, superintendents, education boards, college presidents, state school chiefs, governors, local officials, and federal officials. Collectively, we must advance ARRA's short-term economic goals by investing quickly, and we must support ARRA's long-term economic goals by investing wisely, using these funds to strengthen education, drive reforms, and improve results for students from early learning through college. Four principles guide the distribution and use of ARRA funds:

1. **Spend funds quickly to save and create jobs.** ARRA funds will be distributed quickly to states, local education agencies (LEAs), area education agencies (AEAs), institutes of higher education (IHEs), and other entities in order to avert layoffs and create jobs. States, LEAs, AEAs, and IHEs in turn should move rapidly to develop plans for using funds, consistent with the ARRA's reporting and accountability requirements, and to promptly begin spending funds to help drive the nation's economic recovery.
2. **Improve student achievement through school improvement and reform.** ARRA funds should be used to improve student achievement, and help close the achievement gap. In addition, the State Fiscal Stabilization Fund (SFSF) requires progress on four reforms previously authorized under the bipartisan Elementary and Secondary Education Act and the America Competes Act of 2007:
  1. Making progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities;
  2. Establishing pre-K to college and career data systems that track progress and foster continuous improvement;
  3. Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need; and
  4. Providing intensive support and effective interventions for the lowest-performing schools.
3. **Ensure transparency, reporting, and accountability.** To prevent fraud and abuse, support the most effective uses of ARRA funds, and accurately measure and track results, recipients must publicly report on how funds are used. Due to the unprecedented scope and importance of this investment, ARRA funds are subject to additional and more rigorous reporting requirements than normally apply to grant recipients.
4. **Invest one-time ARRA funds thoughtfully to minimize the "funding cliff."** ARRA represents a historic infusion of funds that is expected to be temporary. Depending on the program, these funds are available for only two to three years. These funds should be invested in ways that do not result in unsustainable continuing commitments after the funding expires.

## Questions & Answers: ARRA State Fiscal Stabilization Funds

### 1. What is the State Fiscal Stabilization Fund (Stabilization) program?

The State Fiscal Stabilization Fund (Stabilization) program is a new, one-time appropriation of approximately \$48.6 billion that the U.S. Department of Education (USDE) will award to Governors and states to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. In exchange for this funding, Iowa was required to make a commitment to advance essential education reform in four areas:

- a. making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need;
- b. establishing pre-K-to-college-and-career data systems that track progress and foster continuous improvement;
- c. making progress toward rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including limited English proficient students and students with disabilities; and
- d. providing targeted, intensive support and effective interventions for the lowest-performing schools.

Iowa has benefitted greatly from high levels of support from the Governor and legislature over the last few years and is positioned to move forward with commitments in these four areas of emphasis.

### 2. What are the two components of the Stabilization program?

The two components of the Stabilization program are the Education Stabilization Fund (CFDA No. 84.394) and the Government Services Fund (CFDA No. 84.397). Iowa stands to receive \$386,373,745 in the Education Stabilization Fund and \$85,965,797 in the Government Services Stabilization Fund. States must use the Education Stabilization Fund to *restore state support for elementary and secondary education and public higher education*.

### 3. What assurances does a state make in relation to accepting Stabilization Funds?

As part of its application for Stabilization Funding, a state must assure that it will implement strategies to:

- a. Increase teacher effectiveness and address inequities in the distribution of highly qualified teachers;
- b. Establish and use a pre-K-through-college-and-career data system to track progress and foster continuous improvement;
- c. Make progress towards rigorous college- and career-ready standards and high-quality assessments that are valid and reliable for all students, including limited English proficient students and students with disabilities; and
- d. Provide targeted, intensive support and effective interventions to turn around schools identified for corrective action and restructuring.

It has been made very clear to every state that efforts to move the above priority efforts forward must be made when accepting Stabilization Funding. Additionally, a state's potential access to the US Secretary of Education's \$5 billion dollar *Race to the Top Fund* will be dependent, in part, on how well a state is demonstrating increased performance in the above assurance areas.

### 4. What is the process for awarding Stabilization funds to Governors?

The U.S. Department of Education (USDE) will award Stabilization funds to Governors in two phases. To receive its initial Stabilization fund allocation, a state must submit to the USDE an application that provides:

- a. Assurances that the state is committed to advancing education reform in four specific areas;
- b. Baseline data that demonstrate the state's current status in each of the four education reform areas;
- c. Maintenance-of-effort (MOE) information; and
- d. A description of how the state intends to use its Stabilization allocation.

Iowa intends to complete this application by May 1, 2009. Within two weeks of receipt of an approvable Stabilization fund application, the USDE will award a state 67 percent of its total Stabilization allocation. (That is, the USDE will release 67 percent of both the state's total Education Stabilization Fund allocation and its total Government Services Fund allocation).

A state will receive the remaining 33 percent of its total Stabilization allocation in phase two, after the USDE approves the state's comprehensive plan for making progress in the four education reform areas for which it provided assurances in phase one. The USDE anticipates that the phase two funds will be awarded by September 30, 2009.

## ***Allocations: ARRA Education Stabilization Fund*** **(\$386,373,745 total)**

Please go to [www.iowa.gov/educate](http://www.iowa.gov/educate) American Recovery and Reinvestment Act (ARRA) allocations to local education agencies (LEAs) through the primary funding formula.

**1. To which entities does the Governor make awards under the Education Stabilization Fund?**

The Governor makes awards under the Education Stabilization Fund only to LEAs and public institutions of higher education. The Governor may not retain any portion of the Education Stabilization Fund for state purposes, nor award any portion of this allocation to entities other than LEAs and public IHEs.

**2. What levels of state support must a Governor restore for elementary and secondary education and public IHEs?**

For each of fiscal years 2009, 2010, and 2011, a Governor must restore the levels of state support for LEAs to the greater of the Fiscal Year (FY) 2008 or FY 2009 levels of such support. In Iowa, this means the FY 2009 post-1.5 percent across-the-board cut level.

**3. May a state include local tax revenues in determining the levels of state support for elementary and secondary education?**

No. The ARRA requires a state to consider only the levels of *state* support that is provided through the state's primary funding formula.

**4. Must an LEA submit an application to the state in order to receive funding under the Education Stabilization Fund?**

Yes. The U.S. Education Department General Administrative Regulations (EDGAR) at 34 C.F.R. 76.301 require an LEA to have on file with the state an application that contains the assurances in section 442 of the General Education Provisions Act (GEPA) (20 U.S.C. 1232e). Among other things, the LEA must assure that it will (1) administer the program in accordance with all applicable statutes and regulations, and (2) use fiscal control and fund accounting procedures that will ensure proper disbursement of, and accounting for, the funds. The Iowa Department of Education will establish an application process for LEAs that will be available on the Ed Info site on May 4, 2009.

**5. May an LEA deposit funding received from the Stabilization fund in their general fund account?**

Yes, but if the account used to deposit funds is an interest-bearing, the district cannot keep any interest generated related to ARRA or any other federal funds. The district would be responsible for the reimbursement to federal government of any interest accrued on these funds.

## ***Use of Funds: Education Stabilization Funds by LEAs***

### **1. For what purposes may a local area education agency (LEA) use Education Stabilization funds?**

Subject to the limited statutory prohibitions described below, the American Recovery and Reinvestment Act (ARRA) authorizes an LEA to use Education Stabilization funds for any activity that is authorized under the following federal education acts:

- a. The Elementary and Secondary Education Act of 1965 (ESEA);
- b. The Individuals with Disabilities Education Act (IDEA);
- c. The Adult Education and Family Literacy Act (AEFLA); or
- d. The Carl D. Perkins Career and Technical Education Act of 2006 (Perkins Act).

The ARRA also provides that an LEA may use Education Stabilization funds for modernization, renovation, or repair of public school facilities, including modernization, renovation, and repairs that are consistent with a recognized green building rating system.

If an LEA uses Education Stabilization funds for modernization, renovation, or repair of public school facilities or for construction of new school facilities, the LEA must comply with specific requirements relating to the use of American iron, steel, and manufactured goods used in the project. (See Section 1605 of the ARRA.)

### **2. What are the statutory prohibitions on an LEA's use of Education Stabilization funds?**

The ARRA prohibits an LEA from using Education Stabilization funds for:

- a. Payment of maintenance costs;
- b. Stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public;
- c. Purchase or upgrade of vehicles;
- d. Improvement of stand-alone facilities whose purpose is not the education of children, including central office administration or operations or logistical support facilities.

In addition, no Stabilization funds (either Education Stabilization funds or Government Services funds) may be used to provide financial assistance to students to attend private elementary or secondary schools, unless the funds are used to provide special education and related services to children with disabilities as authorized by the IDEA.

There are also other prohibitions in the ARRA — for example, prohibitions against using funds for an aquarium, zoo, golf course, or swimming pool — that apply to the use of Stabilization funds by any entity.

### **3. Are the Education Stabilization funds that the Governor awards to LEAs through the state's primary funding formula considered to be state funds, subject to the requirements that generally apply to funds awarded under that formula?**

No. State funding formula is used solely as the mechanism to determine the amount Education Stabilization funds that each LEA will receive. The Education Stabilization funds are federal funds, and the ARRA, the federal laws referenced in III-D-1, and other applicable federal requirements (such as the Office of Management and Budget cost principles) govern their uses.

### **4. How much flexibility do LEAs have in determining the activities to support with Education Stabilization funds?**

LEAs (including Iowa's public charter schools) have considerable flexibility in determining how best to use Education Stabilization funds. As stated previously, an LEA may use these funds for, among other things, activities that are authorized under the ESEA. Because the ESEA includes the broad Impact Aid authority (see Title VIII of the ESEA), an LEA may use Education Stabilization funds for activities that would be allowable under Impact Aid. This flexibility applies to all LEAs that receive Education Stabilization funds, and is not limited to those LEAs that also receive Impact Aid funds.

Most funds that the Department awards under Impact Aid are considered to be general aid to LEAs. Thus, under the Impact Aid authority, an LEA may use Education Stabilization funds for educational purposes

consistent with state and local requirements, subject to ARRA and other applicable federal requirements, including the limited prohibitions referenced above.

Because an LEA may consider Education Stabilization funds to be available for any activity authorized under Impact Aid, the funds may be used to support both current expenditures and other expenses such as capital expenditures. Among other things, the Education Stabilization funds may be used for activities such as:

- a. paying the salaries of administrators, teachers, and support staff;
- b. purchasing textbooks, computers, and other equipment;
- c. supporting programs designed to address the educational needs of children at risk of academic failure, limited English proficient students, children with disabilities, and gifted students; and
- d. meeting the general expenses of the LEA.

It is important to note, however, that all funds appropriated under the ARRA (including Education Stabilization funds that an LEA uses for activities authorized under Title VIII of the ESEA) will be subject to stringent reporting requirements, which is in contrast to the minimal reporting requirements in place for funds appropriated under Title VIII of the ESEA (Impact Aid). Thus, an LEA must account separately for all education stabilization funds even though they may be used as state general fund dollars. The reporting mechanisms for ARRA funds will be provided later.

**5. In addition to restoring activities or services that were eliminated as a result of budget reductions, how might an LEA use its Education Stabilization funds to advance reforms?**

The Department encourages LEAs to use available Education Stabilization resources in ways most likely to assist the state in making progress in areas related to the four education reform assurances in the state's Stabilization application and to lead to improved results for students, long-term gains in school system capacity, and increased efficiency and effectiveness.

Examples of activities that an LEA might support with education stabilization funds in order to advance reform include:

- a. Improving teacher effectiveness and the equitable distribution of highly qualified teachers by:
  - 1) Establishing fair and reliable evaluation systems that provide feedback and helping educators improve. It is anticipated that a district may have to report information on the use and outcomes of the teacher evaluation system established under the Teacher Quality legislation in 2001 under this assurance;
  - 2) Establishing a system for identifying and training highly effective teachers to serve as instructional leaders or coaches and modifying the school schedule to allow for collaboration among the instructional staff. Provision of district supports and professional development activities tied to research-based strategies and district student achievement goals; and
  - 3) Implementing innovative strategies for identification of, advancement of, and compensation for highly effective teachers and leaders.
  - 4) Using a School Administrator Manager (SAM) in a Title I school-wide building. SAM is a process to focus principal time on instructional leadership, teaching practice, student learning, and school improvement.
- b. Establishing data systems and using data for improvement, including:
  - a. Strengthening the use of longitudinal data systems to drive effective decision-making and continuous improvement efforts; and
  - b. Developing and providing intensive professional development on use of data to improve instruction.
- c. Turning around the lowest-performing schools by:
  - a. Attracting committed educators who are compensated for taking on new assignments and roles in a school in identified as a school in need of assistance;
  - b. Extending time for learning, including activities provided before school, after school, during the summer, or over an extended school year;
  - c. Providing intensive, year-long teacher training in reading that aggressively works on improving students' oral language skills and vocabulary or, in some other way, builds teachers' capacity to address academic achievement problems;



- d. Strengthening and expanding early childhood education;
- e. Providing intensive training to all teachers in new curriculum and the use of assessment data to improve instruction; and
- f. Using high-quality learning activities to help secondary students meet core content requirements.

- d. Making progress towards rigorous standards by:
  - a. Allocating time for alignment of district's written curriculum to the Iowa Core Curriculum;
  - b. Establishing equivalent assessment to determine proficiency for post-secondary courses;
  - c. Provide professional developments in research-based instructional materials;
  - d. Review district assessments to determine alignment to the Iowa Core Curriculum; and
  - e. Analyze teacher's content and skill knowledge to implement the Iowa Core Curriculum.

**6. To what extent may an LEA use Education Stabilization funds to support early childhood education programs and services?**

An LEA has considerable flexibility in using Education Stabilization funds to support early childhood programs and services as authorized activities under the ESEA. An LEA may use funds to support preschool programs at the district level.

**7. May an LEA use Education Stabilization funds for modernizing, renovating, or repairing public school facilities?**

Yes, LEAs may use Education Stabilization funds for modernization, renovation, or repair of public school facilities, including modernization, renovation, and repairs that are consistent with a recognized green-building rating system.

**8. May an LEA use Education Stabilization funds for construction activities that are not considered to be modernization, renovation, or repair?**

Yes. Construction of new school buildings is an authorized activity under Impact Aid.

**9. May an LEA use Education Stabilization funds to supplement or restore its local "rainy day" fund rather than use the funds for specific purposes?**

No. An LEA's transfer of Education Stabilization funds to its local "rainy day" fund would not constitute an "obligation" of the funds. The LEA must actually obligate the funds for specific allowable activities during the period of fund availability ending September 30, 2011.

**10. May an LEA use Education Stabilization funds to pay down past debt?**

Although paying down an LEA's past debt may be an allowable use of these funds under Title VIII of the ESEA (Impact Aid) to the extent consistent with state and local requirements, the Department strongly encourages LEAs to consider how its Education Stabilization funds could be better used to restore cuts in essential educational services, stimulate the local economy, and promote needed educational reforms.

**11. Is an LEA required to provide equitable services for private school students and teachers with Education Stabilization funds?**

No. There is no requirement in the ARRA that an LEA provide equitable services for private school students with Education Stabilization funds, even if those funds are used for an activity authorized by a program that otherwise requires equitable services. Thus, an LEA is not required to "backfill" any textbook or transportation assistance provided to nonpublic schools with these funds. However, an LEA may provide services for private school students and teachers to the extent that the activities are authorized by the ESEA, the IDEA, the Adult Education and Family Literacy Act (AEFLA), or the Perkins Act.

**12. How long does an LEA have to obligate its Education Stabilization funds?**

An LEA may use Education Stabilization funds to support authorized activities in school years 2008-2009, 2009-2010, and 2010-2011. The funds may also support educational activities that the LEA provides in the summer. Education Stabilization funds remain available for local obligation through September 30, 2011.

## ***Reporting: ARRA Reporting Requirements***

Quarterly reporting is required of all ARRA fund recipients starting July 2009. The Iowa Department of Education will develop a common reporting process that will be used by all LEAs. Reporting will include data on jobs created, jobs saved, uses of funds, and amount of funds expended. Additional details will be provided as they are developed.

### ***Resources:***

American Recovery and Reinvestment Act (ARRA) Iowa Department of Education  
[www.iowa.gov/educate/](http://www.iowa.gov/educate/)

American Recovery and Reinvestment Act of 2009 U.S. Education Department  
[www.ed.gov/policy/gen/leg/recovery/index.html](http://www.ed.gov/policy/gen/leg/recovery/index.html)

Iowa's Economic Recovery  
[recovery.iowa.gov/](http://recovery.iowa.gov/)

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